



SENATOR RUNNER'S WEEK IN REVIEW

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Pay-or-Play Health Care Mandates

In past issues of the *Week in Review*, I have discussed the problems with government-mandated health care and who the uninsured in California are. If you are interested in reviewing these past issues, please log on to www.senate.ca.gov/runner.

This week we will review the problems that a pay-or-play employer-mandated health insurance system would create for Californians.

There has been discussion about whether an employer mandated health insurance system would actually provide more Californians access to health care.

Currently, only Hawaii has enacted a major pay-or-play health insurance mandate. They enacted their system in 1974. It has been determined that Hawaii's law reduced the number of uninsured by no more than 10 percent and the uninsured rate is almost identical to the national average. So is such a system truly worth the cost on employers and employees?

Californians weighed in on this question in November 2004, when they rejected a pay-or-play employer mandated health insurance system. Even though the voters said no, a pay-or-play system is still one of the proposals that will be debated over the next few years in the California Legislature.

An October 2006 report by the Public Policy Institute of California entitled, "Pay-or-Play Health Insurance Mandates: Lessons From California" found that employers would not be the only ones negatively affected by such a mandate. It reviewed the probable effects of the proposed pay-or-play employer mandated health insurance system that voters ultimately rejected.

First, the PPIC report stated that "employer mandates for health care is an expensive way to cover the uninsured because it would affect employees who already had health insurance." This is because most Californians are already covered by insurance. This is also true nationwide. In 2004, 82 percent of people younger than 65 years old had some form of health insurance and nearly 77 percent of insured individuals had employer-provided coverage.

If you further break-down the numbers of the uninsured in California, it shows that a majority of

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the uninsured legal residents have access to health insurance but choose not to obtain it.

It found that even under the most expansive employer mandate proposals, close to 40 percent of the uninsured are still unlikely to be covered. These uninsured individuals do not have a strong attachment to the labor force meaning that they are frequently unemployed.

When the PPIC reviewed the pay-or-play system, it found the annual employer cost per newly covered uninsured individual would have been approximately \$6,500. This is because an estimated two-thirds of the employer costs would have gone to individuals who were already insured.

Often when government places a mandate on businesses that will increase their costs, the employer is faced with passing the costs to their customers, decreasing the number of employees, or leaving the state in order to avoid going out of business.

The PPIC report found that over the long run, most of the mandated costs to employers would be shifted back to employees in the form of lower wages. It could also create disincentives to look for new employment.

What is even worse is that an estimated 70,000 low wage workers would have lost their jobs. In general, some low-skilled and less-experienced workers who would otherwise be able to find jobs will instead become unemployed because pay-or-play would drive up the cost of their labor, according to the PPIC report.

For the majority of Californians who already have health insurance, a pay-or-play system would create greater government regulation of premiums and benefits. This type of government intervention would make both employers and employees worse off especially since benefits are often negotiated by employers and employees with agreements that benefit both parties.

Pay-or-play employer mandated health insurance is clearly not worth the cost. It has not proven to increase access to health care while at the same time it most likely will create lower salaries, higher costs, and more unemployment.

Instead of adopting such a burdensome system for California, the health care debate should focus on lowering the cost of health insurance so it becomes more affordable for Californians.

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